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SUBJECT: SW CHINA: CHENGDU RECYCLES THANKS TO MIGRANT ENTREPRENEURS

CHENGDU 00000132 001.2 OF 003

¶1. (U) This cable contains sensitive but unclassified information - not for distribution on the Internet.

¶2. (SBU) Summary: Migrant worker entrepreneurs help Chengdu recycle by providing multiple filters for the city's waste, keeping recyclable material of all kinds out of landfills. Laborers, entrepreneurs, and businesses have put together a vast recycling network without government involvement or direction. Although prices for some recyclable goods have fallen by 50 percent over the past year, the competitive labor market and the one million-strong migrant work force in Chengdu means there is no shortage of workers willing to do the dirty jobs needed for Chengdu to recycle part of its waste stream. End Summary.

Entrepreneurial Drive: The Backbone of Urban Recycling Efforts

¶3. (SBU) Across Chengdu's broad metropolitan area, entrepreneurial activity drives a remarkably effective recycling program. Merchants recognize the monetary value of recyclable material and serve as the primary collectors of material. A medium-sized Chengdu restaurant might receive 100 RMB (15 USD) or more by recycling the glass, newspaper, and cardboard accumulated over a few days. The restaurateurs need only to set aside the recyclable goods and wait for one of the collectors to arrive. Recycling collectors, who serve as intermediaries, pay cash on-the-spot for collected materials.

¶4. (SBU) Many hundreds, if not thousands, of men and women across the metropolitan area make a living as intermediary collectors. This small army of individual businessmen typically traverses the city on three-wheeled bicycle carts designed to haul heavy loads. After buying a full load of recyclable material from one or more merchants, the collectors then haul the goods to recycling points located primarily on the perimeter of downtown Chengdu along the third ring road. These, small recycling centers buy the materials at market prices, and resell them to factories that will convert the paper, plastic, glass or other material into new products.

Declining Prices and Thin Margins

¶5. (SBU) The network of individual entrepreneurs, who are the backbone of the recycling industry, tell us that prices for all materials have declined over the past year. One collector attributed the decline in prices to the global economic crisis, while others have cited competition or the May 2008 earthquake as reasons for the decline in prices. The manager of a recycling center north of the city-center said that before the earthquake he could sell cardboard for 10 cents per jin (1 jin = 1.1 pounds). As of mid-July, he can sell the same weight for only 3 cents. A collector in downtown Chengdu mentioned the same trend. He said that cardboard prices had fallen from 7-9 cents per jin to about 3 cents. Scrap iron and steel prices have fallen 40 percent while plastic and glass has fallen by about 50 percent, according to the same recycling center manager.

¶6. (SBU) A second manager attributed the drop in prices to competition among recycling centers and price consciousness by sellers. She said that a few years ago, people did not think scrap iron had much value. Now, however, sellers coming to her recycling center know the market price and try to haggle for a better one. Despite the seemingly tough economics of the recycling industry, the manager, from a town 60 miles outside of Chengdu, started her business one year ago. Most of the people who collect materials or run recycling centers are migrant workers.

Opportunity and Poverty Spurring Recycling

¶7. (SBU) One million migrant workers live in Chengdu. This abundant supply of laborers eking out a living has increased the amount of recycled material. Some migrant laborers pick through the city's landfill, hoping to earn money by collecting any discarded recyclable material. Other migrant laborers, such as the second manager mentioned above, start their own small recycling businesses. A Consulate staff member commented that recycling is seen by many as a dirty, undesirable job. This creates opportunities for migrant laborers to enter the business. The first recycling center manager said that he earned 1,000 RMB per month (146 USD) and received free rent for his work, although he does not own the business. (Note: This is a competitive wage in Chengdu. A young or relatively inexperienced maid or nanny in Chengdu might receive the same base salary, but receive no lodging.)

¶8. (SBU) The more impoverished migrants and other city residents also contribute to the recycling effort out of necessity. At the lowest end of the economic spectrum, it is common to see men and women around Chengdu sifting though garbage containers for anything that is either usable or recyclable. Potentially recyclable items are also plucked from the general waste collection, which is often stored in small cement rooms attached to buildings or housing complexes.

Government Advocates Recycling, Aids Effort

¶9. (SBU) Chengdu's government is broadly supportive of recycling efforts in the city, and even announced late last year that it plans to establish community-based recycling centers. The city government set a goal of building 200 recycling centers by 2013. Each of the recycling centers under the plan would be 160-430 square feet, according to a Deputy Secretary of Chengdu's Commerce Bureau. These small centers-which would be located in communities with one center per 1500-2000 households-would be about the size of the current, private recycling centers now located outside the third ring road. The city also has placed recycling bins, painted green, across large sections of downtown. These largely replace rather than supplement trash cans, but appear to do little on their own to encourage recycling.

¶10. (SBU) The city concentrates its effort on waste collection and removal rather than recycling, but low wages drive city garbage workers supplement their income through recycling. Workers fan out across the city at all hours of the day and night, sweeping up trash from sidewalks and gutters, cleaning roads, and emptying trash bins. These workers also transport garbage from cement-block garbage collection rooms to waste collection points outside the city center. Despite long hours, they earn only about 700 RMB (102 USD) per month, according to a recent local press report. Congenoff commonly sees city sanitation workers sifting through the garbage for recyclable items they can sell to supplement their income. The city is seeking to discourage workers at waste transfer stations from sorting through garbage, however, since this practice leads to foul smells that cause local residents to complain to the city government.

Profile of Recycling Entrepreneurs

¶11. (SBU) The recycling business in Chengdu is operated by men and women alike. The workers Congenoff has met appear to range in age from about 35-55, although some more elderly residents and city workers also search through the garbage for recyclables. The first recycling center owner mentioned in this cable appeared to be in his 50s. He said that he was originally

from a town north of Chengdu, near Luo Dai. He had worked at the recycling center for six years, and was unconcerned that the house he lived in at the recycling center had large cracks running through the walls, saying it held up just fine during the earthquake. The second recycling center manager also lived at her workplace, a cement-block room of roughly 500 square feet. She said she was from Jianyang, a town southwest of Chengdu. She was able to enroll her fifth grade daughter in a private school in Chengdu, which she said cost about the same amount as the "free" public schools that nonetheless charge parents a number of miscellaneous fees. She would not say how much money she makes.
COWHIG